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TAGS: [EINV](#) [EIND](#) [ENRG](#) [EFTA](#) [MO](#)
SUBJECT: LARGEST U.S. INVESTOR SELLS MOROCCAN POWER PLANT

Classified By: DCM WAYNE BUSH FOR REASONS 1.4 (B) AND (D)

11. (SBU) Summary. The largest American investor in Morocco, electric utility CMS Energy (CMS), has agreed to sell its \$1.4 billion investment in Morocco, CMS Generation Company (CMSGC), to the Abu Dhabi National Electric Company (TAQA), pending approvals. CMSGC owns 50 percent of the Jorf Lasfar Energy Company (JLEC), which is the largest electric utility in the country. This reverses CMS's one-time idea of doubling its investment in a country that it still maintains is a good place to invest. CMS officials explain that the divestment reflects a corporate decision to reduce the company's high debt load by selling off all of its international holdings and concentrating instead on CMS's core Michigan-based domestic utility business. End Summary.

12. (SBU) JLEC consists of a 1,356 megawatt coal fired electricity generating plant in El Jadida that supplies 50 percent of Morocco's electricity. Previously, CMSGC and Switzerland-based ABB each held 50 percent of JLEC. According to JLEC's American General Manager, Larry Dewitt, due to a corporate decision that overseas power plants were no longer part of its core business, ABB, an equipment supplier, decided to sell its stake to TAQA, and to get out of JLEC completely. While CMSGC has also sold its ownership interest to TAQA, it will maintain its name and its role managing and operating JLEC. Dewitt will retain his position with the company and oversee its efforts to win a public tender to build a similarly sized power plant near Agadir. While this is an obvious blow to the size of cumulative American investment in Morocco, Dewitt, Chairman of the American Chamber of Commerce in Morocco, emphasized to Econoff that CMS's departure should not be misconstrued as a negative comment on Morocco. The 10-year veteran of Morocco even offered to attend the upcoming MEFTA Investment Conference to help sell Morocco as a good place to invest.

13. (C) On February 15, Econoffs visited JLEC's facility and spoke with Dewitt, Daniel Dexter, CMS's Executive Managing Director of International Operations, and Daniel Nally, CMS's Director of International Asset Management. All three emphasized that CMSGC was not leaving Morocco and the entire staff would be maintained despite the fact that the company would now be under Emirati ownership. Dewitt recounted that when ABB decided to depart the electric utility business, CMS's immediate response was to attempt to buy out its partner. However, CMS was already carrying a heavy debt load and could not afford to expand its Moroccan investment.

¶4. (C) The sale, Dewitt argued, stems from concern by U.S. investors that CMS's foreign exposure in Ghana, India, Saudi Arabia and Morocco was playing a role in depressing share prices. This argument helped convince the company to sell all of its foreign holdings and concentrate instead on its domestic electric utility business in Michigan. Dewitt, Dexter and Nally believe that doing exactly the opposite would probably make better business sense, given the healthy profits CMS has realized in Morocco and elsewhere. Dewitt noted that twice during JLEC's 10-year existence the GOM has asked to renegotiate the revenue sharing plan with JLEC because its profits exceeded projections. The company agreed and today, JLEC rebates \$50 to \$60 million dollars annually to the GOM.

¶5. (SBU) Dewitt and his colleagues judge the Moroccan electrical market ripe for expansion, noting that Morocco's demand for electricity is growing at approximately 10 percent per year. JLEC, they said, sells all the electricity it can produce to the GOM. Helping maintain margins is the fact that the company operates at 95 percent capacity, well above the 82 percent the GOM projected in its original negotiations.

¶6. (C) Company officials characterize the GOM as a very good business partner and praised the general business environment in Morocco. They welcomed efforts by the GOM to expand electrical output through renewable energy projects and potential private small gas fired electric plants, should exploration firms find adequate amounts of natural gas. Dewitt argued that new sources of electricity would help reduce pressure on JLEC to maintain its operations at high capacity levels. He added that his company was a success story for the U.S.-Morocco Free Trade Agreement because it had saved over \$100,000 during 2006 on duties for the purchase of equipment from the U.S. and he plans similar purchases in 2007.

¶7. (SBU) Comment. The sale of CMSGC should be completed by the middle of 2007 and will greatly reduce the size of American investment in Morocco. However, Dewitt remains an activist American businessman who is a strong proponent of the Moroccan market. His offer (unconfirmed yet unsolicited) to participate in the MEFTA Investment Conference at his own expense typifies his feelings about investing in Morocco, and he has previously stated that he is prepared to remain in place as Chairman of the American Chamber of Commerce in Morocco.

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